



KEVIN MORRISON

THE TALE OF TWO TAXES – A STUDY OF MINERAL AND PETROLEUM
RESOURCE TAXATION IN AUSTRALIA

A thesis submitted in fulfillment of the requirements for the degree of Masters in
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PRIMARY SUPERVISOR DAMIEN GIURCO (ISF, UTS)

CO-SUPERVISOR SAMANTHA SHARPE (ISF, UTS)

CERTIFICATE OF AUTHORSHIP/ORIGINALITY

I, Kevin Morrison declare that this thesis, is submitted in fulfillment of the requirements for the award of Master of Sustainable Futures (Research), in the Institute for Sustainable Futures at the University of Technology Sydney.

This thesis is wholly my own work unless otherwise reference or acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

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SIGNATURE OF STUDENT

DATE:

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GLOSSARY

ABARE	Australian Bureau of Agricultural and Resource Economics
ABS	Australian Bureau of Statistics
ACC	Allowance of Corporate Capital
ACT	Australian Capital Territory
AEC	Australian Energy Council
AFR	Australian Financial Review
AFTS	Australia's Future Tax System
AIP	Australian Institute of Petroleum
ALP	Australian Labor Party
AMEC	Association of Mining and Exploration Companies
AMIC	Australian Minerals Industry Council
ANU	Australian National University
APEA	Australian Petroleum Exploration Association
APGA	Australian Pipelines and Gas Association
APPEA	Australian Petroleum Production & Exploration Association
APS	Australian Petroleum Settlement
A\$m	Australian dollars, million
ATO	Australian Tax Office
ASX	Australian Securities Exchange
ATO	Australian Tax Office
BCA	Business Council of Australia
BEPS	Base Erosion Profit Shifting
BREE	Bureau of Resource and Energy Economics
CFMEU	Construction, Forestry, Mining and Energy Union
CFR	Cost and Freight
CGC	Commonwealth Grants Commission
CMEWA	Chamber of Minerals and Energy of Western Australia
CNOOC	China National Offshore Oil Company
COL	Crude Oil Levy
CO ₂	Carbon Dioxide
CPI	Consumer Price Index
CPRS	Carbon Pollution Reduction Scheme

CSG	Coal Seam Gas
DFAT	Department of Foreign Affairs and Trade
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBP	Evidence-Based Policy
EITI	Extractive Industries Transparency Initiative
ETS	Emissions Trading Scheme
FBT	Fringe Benefit Tax
FCA	Federal Court of Australia
FIRB	Foreign Investment Review Board
FMG	Fortescue Metals Group
FOB	Free on Board
FOC	Friends of Coal
FOI	Freedom of Information
G20	Group of Twenty
GFC	Global Financial Crisis
GHG	Greenhouse Gas
GST	Goods and Services Tax
GTL	Gas to Liquids
GTPM	Gas Transfer Price Methodology
HCC	Hard Coking Coal
HoR	House of Representatives
IAC	Industries Assistance Commission
IC	Industry Commission
IEA	International Energy Agency
IMF	International Monetary Fund (IMF)
JPDA	Joint Petroleum Development Area
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
LTBR	Long-term bond rate
MCA	Minerals Council of Australia
MCMPR	Ministerial Council on Minerals and Petroleum Resources
MP	Member of Parliament
MPC	Marketable Petroleum Commodity

MSG	Multi-Stakeholder Group
MRRT	Minerals Resource Rent Tax
MYFER	Mid-Year Fiscal and Economic Review
MYEFO	Mid-Year Economic and Fiscal Outlook
NSW	New South Wales
NT	Northern Territory
NWS LNG	North West Shelf Liquefied Natural Gas
OCE	Office of the Chief Economist
OCS	Offshore Constitutional Settlement
OECD	Organisation for Economic Co-operation and Development
PBO	Parliamentary Budget Office
PC	Productivity Commission
PMA	Petroleum and Minerals Authority
PRRT	Petroleum Resource Rent Tax
PRRTA	Petroleum Resource Rent Tax Assessment
PTG	Policy Transition Group
QCLNG	Queensland Curtis LNG
Qld	Queensland
QRC	Queensland Resources Council
RBA	Reserve Bank of Australia
RPM	Residual Price Methodology
RRR	Resource Rent Royalty
RRT	Resource Rent Tax
RSPT	Resource Super Profits Tax
SA	South Australia
SACOME	South Australian Chamber of Mines and Energy
SSCC	Semi-soft Coking Coal
SSLA	Sea and Submerged Lands Act
Tas	Tasmania
WTO	World Trade Organisation

THE TALE OF TWO TAXES – A CASE STUDY OF RESOURCE TAXATION IN AUSTRALIA

ABSTRACT

The attempt by the Australian Government to impose a new mineral resource super profits tax in 2010 attracted hostility from industry and state governments, split political parties, and perturbed the general public, and following an intense debate that contributed to the departure of a prime minister from office shortly before an election. The repeal in 2014 of the Mineral Resource Rent Tax (MRRT) left the country with few financial savings to show from the largest ever mineral resource boom in Australia, yet in 2012 a similar tax spread from the offshore oil and gas fields to onshore petroleum projects with industry backing and bipartisan political support. This tax remains in place.

This study's main research question is: 'Why were there different outcomes for the MRRT and the onshore extension of the Petroleum Resource Rent Tax (PRRT) when they were both based on the same economic theory?' The MRRT and onshore PRRT replaced the Resource Super Profits Tax (RSPT).

The findings of this research show that the government had ignored warnings about the complexity of the tax design it adopted for the RSPT, which could have seen the government pay miners for losses in times of low commodity prices. The government failed to provide a coherent narrative about its RSPT and allowed too many concessions in the successive MRRT, and PRRT extension. The different outcomes for the MRRT and PRRT reflected the effectiveness of the campaign against the MRRT. The answers to the research question were done by a comparative case study of the MRRT and the onshore extension of the PRRT. The study adopted an agenda building framework that examined the policy positions of the then federal Labor Government and the resources sector, but this framework did not fully answer the question and a second framework based on regulatory capture was used to fully answer the question. Data for this research came from: interviews with key people involved in resource tax policy; a statistical analysis of taxes and royalties paid during the resource boom; and data analysis of policy documents, transcripts of parliamentary inquiries and media reports. This thesis finds that any future debate on resource taxation must be accompanied by greater transparency on the payments made by resource firms to the governments of each jurisdiction they operate in.